

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 28, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Eleven copies of this public document were produced at an approximate cost of \$25.85. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3611 or Report ID No. 05203031 for additional information.

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December 16, 2005

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2005, we considered the University of Louisiana at Lafayette's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the University of Louisiana at Lafayette's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the University of Louisiana System by the University of Louisiana at Lafayette is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the University of Louisiana at Lafayette for the year ended June 30, 2004, we reported a finding relating to an over-award of federal family education loans. That finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. The finding included in this management letter that is required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

Unlocated Movable Property

The University of Louisiana at Lafayette's property report disclosed approximately \$941,000 of unlocated movable property over the past four years. Of that amount, items totaling \$176,283 were removed from the property records because they had not been located for the fourth consecutive year and items totaling \$259,693 are scheduled to be removed if not found within the next year.

Louisiana Revised Statute 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

When conducting its annual physical inventory of movable property, the university could not locate items totaling \$941,044, of which computers and computer-related equipment totaled \$699,117. The annual property report disclosed that the university had items totaling \$46,286,426.

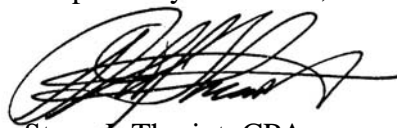
Failure to maintain controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the university to noncompliance with state laws and regulations. In addition, because of the nature of services provided by the university, there is an increased risk that sensitive information could be retrieved improperly from the missing computers and/or computer-related equipment.

Management should strengthen its procedures for safeguarding assets and should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred that established controls were not followed and provided a corrective action plan (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the university. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the university should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the university and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

DLC:EFS:PEP:ss

[ULL05]

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



University of Louisiana at Lafayette

Office of the President

October 13, 2005

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Université des Acadiens

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
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Dear Mr. Theriot:

The University does concur that the controls appear to not have been adhered to during the last moveable property inventory, but the University does have adequate controls over movable property. This can be attested to by the fact that for the previous six years there were no formal or informal discussions with the auditors of the Legislative Auditor's Office during the annual financial and compliance audit of the University concerning any problems or inconsistencies with the movable property inventory controls.

Also, the University is always aware of the sensitive information that may be located on computers and requests that faculty and staff maintain only minimum sensitive data that is required to perform their duties and responsibilities.

After the certification of the annual property inventory was submitted to State Property Control, internal concerns were expressed about the dollar value of the current discrepancies, \$330,070.


The first step was a review of portable equipment problems (e.g., laptop computers). A new policy was sent to deans, directors and department heads on July 25, 2005. The most significant part of this policy was, "That an employee who loses a piece of portable equipment through negligence must reimburse the University for the replacement value of the equipment up to \$1,000.00."

The next step will be taken during the next annual physical inventory of movable property, where the internal auditor of the University will be provided current information on the progress of the inventory. Inquiries will be made on an ongoing basis of movable property inventory that is reported as unlocated.

Due to the time required for completing the annual movable property inventory, the final analysis of problems incurred and any corrective action that may be needed will not be available until February 2006. The individual who will be overseeing the inventory will be Mr. Barton Broussard.

This response was prepared by the internal auditor of the University for the review and approval of the President of the University.

Sincerely,


Ray Authement
President

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C: Mr. Allan Duplantis